



State of Utah

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Captive Insurers Increased by 114.3% In 2006

The Utah Insurance Department has announced a 114.3% increase in the number of licensed captive insurers in 2006. This is remarkable considering that the law making Utah a domicile for captive insurers went into effect July 1, 2003. By the end of the first year one captive had been licensed. Another joined in 2004. In February of 2005, Utah received a huge boost when the legislature abolished the requirement that captives pay a premium tax. In place of the tax was an annual fee of \$5002. By then the word was out. Twelve captives were licensed in 2005 and by the end of the year 2006, sixteen more had rushed in.

2006 proved to be even better when the Utah Insurance Department hired its first full time Captive Director, Don Spann, CFE. A strong infrastructure, which included Governor Huntsman, Commissioner Michie, and Deputy Commissioner Gooch, helped to bring the additional 16 captives to a total of 30.

Utah's captive law permits a captive to maintain a minimum capital and surplus for the following types of captives:

Pure:	\$ 250,000
Association:	\$ 750,000
Industrial Insured:	\$ 500,000
Sponsored:	\$ 1,000,000
Reciprocal Captive:	\$ 1,000,000

As of December 31, 2006, assets of Utah Captive Insurance Companies totaled approximately \$41.4 million, capital and surplus of \$9.6 million and total written premium of \$14.2 million. An additional \$26 million in written premium is projected for the 16 new captives domiciled in year 2006.

A captive insurance company is an insurance company organized to cover the insurable risks of the parent organization and/or its affiliates. Insured entities have the opportunity to control the operation and tailor the company to their own needs. As a result more states, including Utah, created a captive domicile. With the rising cost of insurance and the unavailability of certain types of insurance coverage, interest in captives increased.

The captive program provides a great benefit to the state, with a captive being required to maintain the captives' principle place of business within the state, and hold at least one Board of Director's Meeting in Utah.

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